

RMR REAL ESTATE FUND
Form PRE 14A
March 08, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-10)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

RMR Real Estate Fund
RMR Hospitality and Real Estate Fund
RMR F.I.R.E. Fund

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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RMR Real Estate Fund (RMR)
RMR Hospitality and Real Estate Fund (RHR)
RMR F.I.R.E. Fund (RFR)

NOTICE OF ANNUAL MEETINGS OF SHAREHOLDERS
TO BE HELD MAY 11, 2005
400 Centre Street Newton MA 02458

TO THE SHAREHOLDERS OF THE ABOVE FUNDS:

Notice is hereby given that the annual meetings of shareholders of each of RMR Real Estate Fund ("RMR"), RMR Hospitality and Real Estate Fund ("RHR"), and RMR F.I.R.E. Fund ("RFR"), each a Massachusetts business trust (individually, a "fund" and collectively, the "funds"), will be held at 400 Centre Street, Newton, MA, 02458 on Wednesday, May 11, 2005, at 10:00 a.m. and any adjournments or postponements thereof (for each fund, an "annual meeting" and collectively, the "annual meetings"), for the following purposes:

1. To elect one trustee to each fund's board of trustees (each a "board" and each trustee a "trustee") ("proposal 1").
2. To approve a new advisory agreement between each fund and RMR Advisors, Inc., resulting from a change in the ownership of RMR Advisors, Inc. ("proposal 2").
3. To transact such other business as may properly come before the annual meetings.

Shareholders of record at the close of business on March 14, 2005, are entitled to notice of and to vote at the annual meetings.

ALL SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETINGS. IN ORDER TO AVOID DELAY AND ADDITIONAL EXPENSE AND TO ASSURE THAT YOUR SHARES ARE REPRESENTED, PLEASE VOTE AS PROMPTLY AS POSSIBLE, REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING OF YOUR FUND. TO VOTE BY MAIL, PLEASE MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD. NO POSTAGE IS REQUIRED IF IT IS MAILED IN THE UNITED STATES.

IF YOU PREFER TO VOTE BY TELEPHONE, PLEASE CALL THE TOLL FREE NUMBER LOCATED ON YOUR PROXY CARD AND FOLLOW THE RECORDED INSTRUCTIONS, USING YOUR PROXY CARD AS A GUIDE. TO VOTE OVER THE INTERNET, GO TO THE INTERNET ADDRESS PROVIDED ON YOUR PROXY CARD AND FOLLOW THE INSTRUCTIONS, USING YOUR PROXY CARD AS A GUIDE.

IF YOU HAVE ANY QUESTIONS REGARDING THE ENCLOSED PROXY MATERIAL OR NEED ASSISTANCE IN VOTING YOUR SHARES, PLEASE CONTACT THE PROXY SOLICITOR, _____, AT (800)-____-____ OR THE FUNDS' INVESTOR RELATIONS GROUP AT (866)-790-8165.

By order of the Boards of
Trustees,

JENNIFER B. CLARK, *Secretary*
of
each of RMR Real Estate Fund,
RMR Hospitality
and Real Estate Fund and RMR
F.I.R.E. Fund

Newton, Massachusetts
March , 2005

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RMR Real Estate Fund (RMR)
RMR Hospitality and Real Estate Fund (RHR)
RMR F.I.R.E. Fund (RFR)

JOINT PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS

To Be Held on Wednesday, May 11, 2005
400 Centre Street, Newton, MA 02458

March , 2005

This joint proxy statement is furnished in connection with the solicitation by the boards (each a "board" and collectively, the "boards"), and the trustees (each trustee a "trustee" and collectively, the "trustees") of each of RMR Real Estate Fund (RMR), RMR Hospitality and Real Estate Fund (RHR), and RMR F.I.R.E. Fund (RFR), each a Massachusetts business trust (each a "fund" and collectively, the "funds"), of proxies to be voted at the annual meeting of shareholders to be held at 400 Centre Street, Newton, MA, 02458 on Wednesday, May 11, 2005, at 10:00 a.m., (for each fund, an "annual meeting" and collectively, the "annual meetings") and at any and all adjournments thereof.

This joint proxy statement and the attached proxies are being first sent to shareholders on or about , 2005. Each fund's December 31, 2004, annual report to shareholders, including audited financial statements, can be obtained without charge by calling the fund at 866-790-8165 or on the funds' website at www.rmrfunds.com¹.

The record date for each annual meeting is March 14, 2005. Only shareholders of record as of the close of business on March 14, 2005, are entitled to notice of, and to vote, at the annual meetings and any postponement or adjournment thereof. As of the record date, each fund had the following outstanding shares:

Fund	AMEX Symbol	Number of Common Shares	Series and Number of Preferred Shares
RMR Real Estate Fund	RMR	6,824,000	Series T 2,000
RMR Hospitality and Real Estate Fund	RHR	2,485,000	Series Th 680
RMR F.I.R.E. Fund	RFR	1,484,000	Series W 800

The common shares of each Fund are listed on the American Stock Exchange, or AMEX.

A quorum of shareholders is required to take action at each annual meeting. Thirty three and one third percent of the shares entitled to vote at each annual meeting, represented in person or by proxy, will constitute a quorum of shareholders at each fund's annual meeting. Votes cast by proxy or in person at each annual meeting will be tabulated by the inspector of election appointed for that annual meeting. The inspector of election will determine whether or not a quorum is present at each annual meeting.

Common shares and preferred shares represented by valid proxies or in person will count for the purpose of determining the presence of a quorum for each annual meeting. The inspector of election will treat abstentions and "broker non-votes" (i.e., shares held by brokers or nominees, typically in "street name," as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

(1)

The internet address for the funds is included several times in this joint proxy statement as a textual reference only and the information on the website is not incorporated by reference into this joint proxy statement.

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Failure of a quorum to be present at any annual meeting will necessitate adjournment of that meeting and will subject that fund to additional expense. The persons named in the enclosed proxy may also move for an adjournment of any annual meeting to permit further solicitation of proxies with respect to a proposal if they determine that adjournment and further solicitation is reasonable and in the best interests of the shareholders. An adjournment of an annual meeting will require the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting.

The holders of the outstanding common shares are entitled to one vote per common share. Holders of the outstanding preferred shares are entitled to one vote per preferred share and generally vote together with holders of common shares of each fund as a single class except in certain circumstances described below.

Approval of proposal 1 for each fund requires the affirmative vote of a plurality of that fund's common shares and preferred shares, voting together as a class, that vote at the annual meeting.

Approval of proposal 2 for each fund requires the affirmative vote by the lesser of (1) 67% or more of the common shares and preferred shares of that fund, voting together as a class, present (in person or by proxy), if the owners entitled to cast at least 50% of the votes are present (in person or by proxy), or (2) more than 50% of the common shares and preferred shares of that fund, voting together as a class, entitled to vote at the meeting.

On the matters coming before each annual meeting as to which a choice has been specified by shareholders on the proxy, the shares will be voted accordingly. With regard to proposal 1, if you do not give a proxy to vote your shares, your brokerage firm may either leave your shares not voted or may vote your shares. If a proxy is executed by you or your broker and returned and no choice is specified with respect to proposal 1, the shares will be voted FOR the election of the nominee for trustee as listed in this joint proxy statement. With respect to proposal 2, if you do not give a proxy to vote your shares, your brokerage firm may not vote your shares. If a proxy is executed by you and returned and no choice is specified with respect to proposal 2, the shares will be voted FOR the approval of the new investment advisory agreement as described in this joint proxy statement. Broker non-votes and abstentions (shares represented by valid proxies marked "withhold" as to a proposal) will not be counted as either in favor of or against proposal 1 for purposes of determining approval of that proposal. Broker non-votes and abstentions will not be counted as voting in favor of proposal 2, and accordingly, will have the effect of being counted as a vote against proposal 2. Shareholders who execute proxies may revoke them at any time before they are voted by filing with the concerned fund a written notice of revocation, by delivering a duly executed proxy bearing a later date, or by attending the annual meeting and voting in person.

The proposals for shareholder vote and the recommendations of the boards of trustees with regard to each proposal are set forth below.

Proposal 1: election of one trustee in class I of each fund's board of trustees.

ELECTION OF TRUSTEES

Each fund's board is divided into three classes. There is one trustee in class I (Mr. Harrington) whose current term expires in 2005 and who is being proposed for re-election. There are two trustees in class II whose current terms expire in 2006. There are two trustees in class III whose current terms expire in 2007. Trustees in each class are elected for three year terms or until their successors have been duly elected and qualified. Pursuant to each fund's organizational documents, under normal circumstances, holders of preferred shares, voting separately as a class, elect two trustees (Messrs. Martin and Koumantzelis presently represent the holders of each fund's preferred shares), and the remaining trustees are elected by holders of the common shares and preferred shares, voting together as a single class.

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A majority of the trustees of each fund's board are not "interested persons" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act"). An "interested trustee" is one who is affiliated with or who has a material business relationship with any fund, RMR Advisors, Inc. ("RMR Advisors"), the funds' investment advisor, or any other person or entity that holds in excess of 5% of the common shares of a fund or who performs services for a fund other than as a trustee. Messrs. Harrington, Bailey, and Koumantzelis are not "interested persons" of any of the funds and are sometimes referred to herein as "disinterested trustees".

A majority of the trustees of each fund's board are independent trustees pursuant to the corporate governance standards for companies listed on the American Stock Exchange, or AMEX. In determining independence pursuant to AMEX standards, each year each fund's board affirmatively determines whether trustees have a direct or indirect material relationship with that fund, including its affiliates. When assessing a trustee's relationship with a fund, each board considers all relevant facts and circumstances, not merely from the trustee's standpoint, but from that of the persons or organizations with which the trustee has an affiliation. Material relationships can include commercial, banking, consulting, legal, accounting, charitable and familial relationships. Messrs. Harrington, Bailey and Koumantzelis currently qualify as independent under AMEX rules.

In making their recommendation below, the nominating committees and boards of each fund considered Mr. Harrington's qualifications for service on the board of each fund. The nominating committees considered the quality of Mr. Harrington's past services to the funds, his business, personal experience and reputation for integrity, intelligence, sound judgment, ability to understand complex financial issues and to make meaningful inquiries; his willingness and ability to devote sufficient time to board business; his familiarity with the responsibilities of service on the board of a publicly owned company; his status as a person who would qualify as an independent trustee; and other matters that the nominating committees and boards deemed appropriate. Mr. Harrington has been designated as a class I trustee and is the boards' nominee for election by all shareholders at the 2005 annual meetings, to serve until the 2008 annual meetings.

It is the intention of the persons named in the enclosed proxy to vote the shares represented thereby FOR the election of Mr. Harrington, unless the proxy is marked otherwise. Mr. Harrington has agreed to serve as a trustee of each fund if elected. However, if Mr. Harrington becomes unable or unwilling to accept nomination for election to the board of any funds, the proxies will be voted for a substitute nominee designated by that fund's present board. The boards have no reason to believe that Mr. Harrington will be unable to serve.

EACH BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF MR. HARRINGTON.

Proposal 2: approval of a new investment advisory agreement resulting from a change in the ownership of RMR Advisors, Inc.

INTRODUCTION

RMR Advisors serves as the investment advisor of each fund pursuant to an agreement between each fund and RMR Advisors. The agreement between RMR Advisors and (1) RMR Real Estate Fund is dated December 5, 2003, (2) RMR Hospitality and Real Estate Fund is dated April 2, 2004, and (3) RMR F.I.R.E. Fund is dated September 22, 2004 (each, an "advisory agreement" and collectively, the "advisory agreements").

RMR Advisors is owned 50% by Barry M. Portnoy and 50% by Gerard M. Martin. Effective as soon as practical after the annual meetings, Mr. Portnoy will own 100% of RMR Advisors.

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This change in ownership is deemed to be a change in control of RMR Advisors resulting in an assignment of the advisory agreements within the meaning of the 1940 Act. Under the 1940 Act, an assignment of the advisory agreements will result in the termination of the advisory agreements. In anticipation of this termination, a joint meeting of each fund's board was held on February 14, 2005, for the purpose of considering a new advisory agreement (each, a "new agreement" and collectively, the "new agreements") for each fund.

CONSIDERATION BY THE BOARDS OF TRUSTEES

Each board considered the benefits to shareholders of retaining RMR Advisors. The boards' considerations included, among others: the nature, scope and quality of services that RMR Advisors has provided under each fund's advisory agreement and would provide under the new agreements; that the advisory and other fees paid and the contractual fee waivers would not change as a result of entering the new agreements; the quality and depth of personnel of RMR Advisors' organization before and after the change in control; the capacity and future commitment of RMR Advisors to perform its duties under the new agreements; the financial condition and profitability of RMR Advisors; the experience and expertise of RMR Advisors as an investment advisor; the performance of each fund as compared to similar funds; the level of fees paid to RMR Advisors as compared to similar funds; and the potential for economies of scale. The boards also considered RMR Advisors' representation that it would provide advisory and other services to each fund of a scope and quality at least equivalent to the scope and quality provided to each fund under the current advisory agreements and that, other than the change of ownership, no structural, managerial or operational changes are expected to affect any of the funds. Each board also considered that the terms of the new agreements would be substantially the same as the terms of the current agreements (except for dates of execution and effectiveness). The form of the new agreements is set forth as Appendix A to this joint proxy statement.

Each board considered the level and depth of knowledge of RMR Advisors. In evaluating the quality of services provided by RMR Advisors, each board took into account its familiarity with RMR Advisors' management through board meetings, conversations and reports. Each board also took into account RMR Advisors' compliance policies and procedures.

Each board compared the advisory fees and total expense ratio of its respective fund with various comparative data that it had been provided previously in approving the fund's advisory agreement. Each board considered the fund's recent performance results and noted that the board reviews on a quarterly basis information about the fund's performance results, portfolio composition and investment strategies. Each board further noted that RMR Advisors has waived a portion of its management fee in order to reduce the fund's operating expenses. Each board also took into consideration the financial condition and profitability of RMR Advisors and any indirect benefits derived by RMR Advisors from RMR Advisors' relationship with the funds.

In considering the approval of the new agreements, each board, including the disinterested trustees, did not identify any single factor as controlling. Based on each board's evaluation of all factors that it deemed to be relevant, each board, including the disinterested trustees of each board, concluded that RMR Advisors has demonstrated that it possesses the capability and resources to perform the duties required of it under the new agreement for that fund; RMR Advisors maintains an appropriate compliance program; performance of the fund is reasonable in relation to the performance of funds with similar investment objectives; and the proposed advisory fee rates are fair and reasonable, given the scope and quality of the services to be rendered by RMR Advisors. Each board further determined that the change in control of RMR Advisors did not present any material change in the type and quality of service it would provide to each fund. After reviewing all of these factors, each board, including the disinterested trustees, unanimously approved the new agreement with respect to the fund, subject to the occurrence of RMR Advisors' change in control, and directed that it be presented to the

shareholders of the fund for approval to be effective on the date that Mr. Portnoy first owns 100% of RMR Advisors.

If shareholders of a fund fail to approve the proposed new agreement, the board of that fund will consider appropriate alternatives for the fund and its shareholders.

EACH BOARD, INCLUDING THE DISINTERESTED TRUSTEES, UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF PROPOSAL 2.

TRUSTEES OF THE FUNDS

During 2004, the board of RMR, RHR and RFR held four, five and three meetings, respectively. No trustee attended less than 75% of the meetings of any fund's board or board committee on which he served.

The address for each trustee is 400 Centre Street, Newton, Massachusetts 02458. Biographical and other information as of March , 2005, relating to the trustee nominee for the 2005 annual meetings is set forth below. Mr. Harrington is not an "interested person", as defined in the 1940 Act, of any fund. Mr. Harrington is a member of each fund's audit, nominating and compensation committees.

Name (age)	Position(s) held with each fund, current term and length of time served (approx. number of years served)	Principal occupation(s) during past 5 years and other public company directorships held by trustee	Number of portfolios in fund complex overseen by trustee
John L. Harrington (68)	Class I trustee to serve until 2005. RMR (2); RHR (1); RFR (1).	Executive Director and trustee of the Yawkey Foundation (a charitable trust) and a trustee of the JRY Trust (a charitable trust) 1982 to present; Chairman of the Board of the Yankee Foundation March 2002 to June 2003; Chief Executive Officer of the Boston Red Sox Baseball Club 1982 to 2002; trustee of Hospitality Properties Trust 1995 to present; director of Five Star Quality Care, Inc. 2001 to January 2004; trustee of Senior Housing Properties Trust 1999 to present.	3

Biographical and other information as of March , 2005, relating to the trustees who are not standing for reelection at the 2005 annual meetings is set forth below. Messrs. Portnoy and Martin are "interested persons", as defined in the 1940 Act, of each fund; Messrs. Bailey and Koumartzelis are not "interested persons" of any fund. Messrs. Bailey and Koumartzelis are members of each fund's audit, nominating and compensation committees.

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Name, (Age)	Position(s) held with each fund and current term and length of time served (approx. number of years served)	Principal occupation(s) during past 5 years and other public company directorships held by trustee	Number of portfolios in fund complex overseen by trustee
Disinterested Trustees			
Frank J. Bailey (50)	Class II trustee to serve until 2006. RMR (2); RHR (1); RFR (1).	Partner in the Boston law firm of Sherin and Lodgen LLP; trustee of Hospitality Properties Trust 2003 to present; trustee of Senior Housing Properties Trust 2002 to present.	3
Arthur G. Koumantzelis (74)	Class III trustee to serve until 2007. RMR (2); RHR (1); RFR (1).	President and Chief Executive Officer of Gainesborough Investments LLC June 1998 to present; trustee of Hospitality Properties Trust 1995 to present; director of Five Star Quality Care, Inc. 2001 to present; trustee of Senior Housing Properties Trust 1999 to 2003.	3
Interested Trustees			
Barry M. Portnoy (59)	Class III trustee to serve until 2007. RMR (3); RHR (1); RFR (1).	Chairman of Reit Management & Research LLC 1986 to present; director and vice president of RMR Advisors July 2002 to present; portfolio manager of RMR December 2003 to present; portfolio manager of RHR April 2004 to present; portfolio manager of RFR November 2004 to present; managing director of Five Star Quality Care, Inc. 2001 to present; managing trustee of Senior Housing Properties Trust 1999 to present; managing trustee of Hospitality Properties Trust 1995 to present; managing trustee of HRPT Properties Trust 1986 to present.	3
Gerard M. Martin (70)	Class II trustee to serve until 2006. RMR (3); RHR (1); RFR (1).	Director of Reit Management & Research LLC 1986 to present; director and vice president of RMR Advisors July 2002 to present; managing director of Five Star Quality Care, Inc. 2001 to present; managing trustee of Senior Housing Properties Trust 1999 to present; managing trustee of Hospitality Properties Trust 1995 to present; managing trustee of HRPT Properties Trust 1986 to present.	3

COMPENSATION OF TRUSTEES

Trustees who are "interested persons" as defined by the 1940 Act receive no compensation for services as a trustee from any fund. The following table sets forth information concerning the compensation of the disinterested trustees for the fiscal year ended December 31, 2004.

	Compensation from RMR	Compensation from RHR	Compensation from RFR	Total compensation from the fund complex
Frank J. Bailey	\$ 17,000	\$ 4,000	\$ 3,250	\$ 24,250
John L. Harrington	\$ 16,000	\$ 3,750	\$ 3,250	\$ 23,000
Arthur G. Koumantzelis	\$ 16,000	\$ 3,750	\$ 3,250	\$ 23,000

The differences in compensation paid to the disinterested trustees from each of RMR, RHR and RFR are a reflection of the facts that RMR was in operations throughout 2004 while RHR and RFR began operations at different times during 2004 and that the compensation rates applicable to each fund as described in its initial public offering prospectus were different. Starting in 2005 and continuing until it may be changed by vote of the respective fund's boards, the compensation payable to each disinterested trustee by each fund in the fund complex will be as follows:

Timing and Description	Amount
At the time a trustee commences service following the closing of a fund's initial public offering (except for trustees first elected at an annual meeting of shareholders), an initial retainer	\$ 3,500
At the first meeting of the board of trustees following the annual meeting of shareholders, an annual retainer	\$ 3,500
For each meeting of the board of trustees or a board committee which is attended, an attendance fee	\$ 350

Only one attendance fee is payable if more than one meeting for a fund is held on the same day.

In addition to the compensation paid to disinterested trustees, each fund reimburses trustees for expenses incurred in connection with their duties as trustees.

BOARD COMMITTEES

Each fund has an audit committee, a compensation committee and a nominating committee. Each board has adopted charters for each of these committees. Each of the board committees is comprised of Messrs. Harrington, Bailey and Koumantzelis, the disinterested trustees, who are independent under applicable AMEX listing standards and each board committee's respective charter.

The primary function of each audit committee is to assist its board's oversight of matters relating to: integrity of financial statements; legal and regulatory compliance; qualifications, independence, performance and fees of independent accountants; accounting, financial reporting and internal control processes; and the appointment, duties and compensation of internal audit personnel. Each audit committee is directly responsible for the selection of independent accountants. Each board determined that based upon Mr. Koumantzelis' education and experience, Mr. Koumantzelis possessed the requisite qualifications for designation, is "independent" as defined by the rules of the Securities and Exchange Commission ("SEC") and the AMEX and so designated him, as each audit committee's financial expert. A copy of the audit committees' charter is available on the funds' website at www.rmrfunds.com and attached to this joint proxy statement as Appendix B. During 2004, the audit committee of RMR, RHR and RFR held five, three and one meetings, respectively.

The primary function of each compensation committee is to determine and review the fees paid to fund trustees. Each compensation committee will hold its first meeting in 2005. The primary function of each nominating committee is to recommend candidates for election to each fund's board. Each nominating committee held its first meeting in January 2005. The compensation committee and nominating committee charters are included on the website at www.rmrfunds.com.

COMMUNICATIONS WITH TRUSTEES

Any shareholder or other interested party who desires to communicate with the trustees, individually or as a group, may do so by visiting the funds' website (www.rmrfunds.com), by calling the toll free confidential message system at (866) 511-5038, or by writing to the party for whom the communication is intended, in care of the director of internal audit, RMR Funds, 400 Centre Street, Newton, MA 02458. The director of internal audit will deliver communications to the appropriate persons.

SELECTION OF CANDIDATES FOR TRUSTEES; SHAREHOLDER RECOMMENDATIONS, NOMINATIONS AND PROPOSALS

The boards have established guidelines which set forth the qualifications for service on the board of each fund. These guidelines may be changed from time to time by a board upon the recommendation of its nominating committee. Each board makes nominations of persons to be elected by shareholders as trustees. Each board also elects trustees to fill board vacancies which may occur from time to time. In both these circumstances, a board will act upon recommendations made by its nominating committee.

It is the policy of each nominating committee to consider candidates for election as trustees who are recommended by shareholders pursuant to the procedures set forth in each fund's declaration of trust and bylaws and described below.

If a shareholder who is entitled to do so under a fund's declaration of trust desires to recommend an individual for membership on a board, then that shareholder must provide a written notice to the fund's Secretary at 400 Centre Street, Newton, MA 02458. In order for a recommendation to be considered by the nominating committee, this notice must be received not later than the close of business on the 90th day nor earlier than the 120th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of mailing of the notice for the annual meeting is advanced or delayed by more than 30 days from the anniversary date of the date of mailing of the notice for the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the 120th day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of: (1) the 90th day prior to the date of mailing of the notice for such annual meeting or (2) the 10th day following the day on which public announcement of the date of mailing of the notice for such meeting is first made by the fund. This notice must contain, at a minimum, the following:

- (A) as to each person whom the shareholder proposes to recommend for election or reelection as a trustee for any fund:
- (1) such person's name, age, business address and residence address,
 - (2) the class, series and number of the fund's shares of beneficial interest that are beneficially owned or owned of record by such person,
 - (3) the date such shares were acquired and the investment intent of such acquisition,

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- (4) the record of all purchases and sales of the fund's securities by such person during the previous 12 month period including the date of the transactions, the class, series and number of securities involved in the transactions and the consideration involved, and
- (5) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of trustees in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to the SEC's proxy rules, including such person's written consent to being named in the proxy statement as a nominee and to serving as a trustee if elected;
- (B) as to any other business that the shareholder proposes to bring before the meeting, a description of such business, the reasons for proposing such business at the meeting and any material interest in such business of such shareholder and any shareholder associated person (as defined below), including any anticipated benefit therefrom;
- (C) as to the shareholder giving the notice and any shareholder associated person, the class, series and number of the shares which are owned of record by such shareholder and by such shareholder associated person, if any, and the class, series and number of, and the nominee holder for, shares owned beneficially but not of record by such shareholder and by any such shareholder associated person;
- (D) as to the shareholder giving the notice and any shareholder associated person, the name and address of such shareholder, as they appear on the fund's share ownership records and current name and address, if different, of such shareholder associated person;
- (E) as to the shareholder giving the notice and any shareholder associated person, the record of all purchases and sales of the fund's securities by such shareholder or shareholder associated person during the previous 12 month period including the date of the transactions, the class, series and number of securities involved in the transactions and the consideration involved; and
- (F) to the extent known by the shareholder giving the notice, the name and address of any other shareholder supporting the nominee for election or reelection as a trustee on the date of such notice.

A "shareholder associated person" of any shareholder is (1) any person controlling, directly or indirectly, or acting in concert with, such shareholder, (2) any beneficial owner of the fund's shares of beneficial interest owned of record, or beneficially, by such shareholder and (3) any person controlling, controlled by or under common control with such shareholder or shareholder associated person.

A nominating committee may request additional information about the shareholder nominee or about a recommending shareholder.

In considering candidates to serve as trustees, each nominating committee seeks individuals who have qualities which the committee believes may be effective in serving the fund's long term best interests. Among the characteristics which the committee considers are the following: the quality of the candidate's past services to the fund, if any; the business and personal experience of the candidate and their relevance to the fund's business; the reputation of the candidate for integrity; the reputation of the candidate for intelligence, sound judgment, the ability to understand complex financial issues and to make meaningful inquiries; the willingness and ability of the candidate to devote sufficient time to board business; the familiarity of the candidate with the responsibilities of service on the board of a publicly owned company; whether the candidate would be an independent trustee if elected as a trustee; and other matters that the nominating committee deems appropriate. In seeking candidates for trustee who have not previously served as a fund trustee, the nominating committee may use the business, professional and personal contacts of its members, it may accept recommendations from other trustees, and, if it considers it appropriate, it may engage a professional search firm. Shareholder

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recommendations which meet the requirements set forth above will be considered using the same criteria as other candidates considered by the nominating committees.

To be eligible for consideration at a fund's 2006 annual meeting, proper shareholder nominations of a candidate (or candidates) for trustee (or trustees) must be received at that fund's principal executive offices no earlier than the close of business on _____, 2005, and no later than the close of business on _____, 2005. Shareholder nominations which are recommended by a nominating committee and supported by its respective board will appear in the 2006 proxy statement. Shareholder nominations which are properly made in accordance with the relevant fund's declaration of trust and bylaws but are not recommended by that fund's nominating committee or are not supported by that fund's board will not appear in the 2006 proxy statement, but they may be considered at the annual meeting.

In 2004, no fund paid any third party to identify or to assist in the evaluation of any candidate for election to the boards.

Under each fund's declaration of trust and the rules and regulations of the SEC, to be eligible for inclusion in the proxy statement for that fund's 2006 annual meeting, shareholder proposals other than nominations must be received at that fund's principal executive offices no later than _____, 2005, and must otherwise satisfy the conditions for inclusion established by each fund's declaration of trust and bylaws and the SEC. Proposals by shareholders other than nominations intended for presentation at a fund's 2006 annual meeting but not intended to be included in the proxy statement for that meeting, must be received at that fund's principal executive office no earlier than _____, 2005, and no later than _____, 2006, and must meet all other requirements of the relevant fund's declaration of trust and bylaws and of the SEC.

Copies of each fund's declaration of trust and bylaws, including the provisions which concern the requirements for shareholder nominations and proposals, may be obtained by writing to the fund's Secretary, RMR Funds, 400 Centre Street, Newton, MA 02458.

OFFICERS OF THE FUNDS

Biographical and other information relating to the executive officers of each fund is set forth below. Officers of the funds are elected and appointed by the boards and hold office until they resign, are removed or are otherwise disqualified to serve.

Name (age)	Position(s) held with each fund, term of office and length of time served (approx. number of years served)	Principal occupation(s) during past 5 years
Thomas M. O'Brien (38)	President: RMR (3); RHR (1); RFR (1).	President and director of RMR Advisors July 2002 to present; portfolio manager of RMR, RHR and RFR inception to present; Vice President of Reit Management & Research LLC April 1996 to present; Treasurer and Chief Financial Officer, Hospitality Properties Trust April 1996 to October 2002; Executive Vice President, Hospitality Properties Trust October 2002 to December 2003.

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Mark L. Kleifges (44)	Treasurer: RMR (1); RHR (1); RFR (1).	Vice President of Reit Management & Research LLC 2002 to present; Vice President of RMR Advisors December 2003 to September 2004; Treasurer of RMR Advisors September 2004 to present; Treasurer and Chief Financial Officer, Hospitality Properties Trust 2002 to present; Partner, Arthur Andersen LLP 1993 to 2002.
Jennifer B. Clark (43)	Secretary: RMR (3); RHR (1); RFR (1).	Vice President of Reit Management & Research LLC 1999 to present; Secretary of RMR Advisors July 2002 to present; Senior Vice President of HRPT Properties Trust 1999 to present.
James J. McKelvey (45)	Vice President: RMR (1); RHR (1); RFR (1).	Vice President of RMR Advisors July 2004 to present; portfolio manager of RMR and RHR June 2004 to present; portfolio manager of RFR inception to present; portfolio manager and senior research officer for John Hancock Funds May 1997 to April 2004.
John C. Popeo (44)	Vice President: RMR (2); RHR (1); RFR (1).	Treasurer of Reit Management & Research LLC 1997 to present; Treasurer of RMR Real Estate Fund July 2002 to November 2003; Treasurer of RMR Advisors July 2002 to September 2004; Vice President of RMR Advisors September 2004 to present; Treasurer and Chief Financial Officer of HRPT Properties Trust 1997 to present.
Adam D. Portnoy (34)	Vice President: RMR (1); RHR (1); RFR (1).	Vice President of Reit Management & Research LLC September 2003 to present; Vice President of RMR Advisors December 2003 to present; Executive Vice President of HRPT Properties Trust December 2003 to present; Senior Investment Officer, International Finance Corporation June 2001 to July 2003; Vice President, ABN AMRO Investment Banking January 2001 May 2001; President and CEO, SurfFree.com, Inc. June 1997 to June 2000.
William J. Sheehan (60)	Chief Compliance Officer and Director of Internal Audit: RMR (1); RHR (1); RFR (1).	Chief Compliance Officer of RMR Advisors September 2004 to present; Director of Internal Audit of HRPT Properties Trust, Hospitality Properties Trust, Senior Housing Properties Trust and Five Star Quality Care, Inc. September 2003 to present; trustee of Hospitality Properties Trust 1995 to August 2003; Executive Vice President, Ian Schragger Hotels LLC 1999 to February 2003.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

To each fund's knowledge, no person beneficially owned more than 5% of its respective outstanding common or preferred shares as of _____, 2005, except as set forth below. To each fund's knowledge, none of the funds' officers or trustees owned any preferred shares of any fund or 1% or more of the outstanding common shares of any fund except as set forth below, and the officers and trustees own, as a group, in the aggregate 208,297, 495,328 and 205,576 common shares of RMR, RHR and RFR, respectively, representing 3.1%, 19.9% and 13.9%, respectively, of that fund's outstanding common shares as of _____, 2005. Unless otherwise indicated below, each owner named below has sole voting and investment power for all common shares shown to be beneficially owned by that person.

Title of Share Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Share Class
RMR			
Common shares	Barry M. Portnoy(1)	92,490(2)	1.4%
Common shares	Gerard M. Martin(1)	92,490(2)	1.4%
RHR			
Common shares	Barry M. Portnoy(1)	245,000(2)	9.9%
Common shares	Gerard M. Martin(1)	245,000(2)	9.9%
RFR			
Common shares	Barry M. Portnoy(1)	104,000(2)	7.0%
Common shares	Gerard M. Martin(1)	104,000(2)	7.0%

(1) The address of each of Messrs. Portnoy and Martin is 400 Centre Street, Newton, MA 02458

(2) 69,238, 240,000 and 100,000 common shares of RMR, RHR and RFR, respectively are held indirectly by virtue of such person's 100% ownership of a corporation, and 7,000, 5,000 and 4,000 common shares of RMR, RHR and RFR, respectively are held indirectly by virtue of such person's 50% ownership of RMR Advisors. Messrs. Portnoy and Martin each disclaim beneficial ownership of such shares held by RMR Advisors except to the extent that he may have a pecuniary interest therein.

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The following table sets forth, for each trustee and officer, the aggregate dollar range of each fund's equity securities beneficially owned as of 12/31/2005. The information as to beneficial ownership is based on statements furnished to the funds by each trustee and officer.

Name	Dollar range of equity securities in RMR	Dollar range of equity securities in RHR	Dollar range of equity securities in RFR	Aggregate dollar range of equity securities in all of the funds overseen by the trustees in family of investment companies
Interested Trustees				
Barry M. Portnoy	Over \$100,000	Over \$100,000	Over \$100,000	Over \$100,000
Gerald M. Martin	Over \$100,000	Over \$100,000	Over \$100,000	Over \$100,000
Disinterested Trustees				
John L. Harrington	Over \$100,000	None	None	Over \$100,000
Frank J. Bailey	\$1 \$10,000	None	None	\$1 \$10,000
Arthur G. Koumantzelis	\$1 \$10,000	\$1 \$10,000	\$1 \$10,000	\$1 \$10,000
Officers				
Thomas M. O'Brien	Over \$100,000	Over \$100,000	\$10,001 \$50,000	Over \$100,000
Mark L. Kleifges	\$50,001 to \$100,000	\$10,001 \$50,000	\$10,001 \$50,000	Over \$100,000
James J. McKelvey	None	None	None	None
Adam D. Portnoy	None	None	None	None
John C. Popeo	\$1 \$10,000	\$1 \$10,000	None	\$1 \$10,000
Jennifer B. Clark	\$1 \$10,000	\$1 \$10,000	\$1 \$10,000	\$10,001 \$50,000
William J. Sheehan	None	None	None	None

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that fund trustees, executive officers and persons who own more than 10% of a registered class of a fund's equity securities, as well as RMR Advisors and its officers and directors, to file reports of ownership and changes in ownership of securities with the SEC and the AMEX. Fund executive officers, trustees and greater than 10% shareholders as well as RMR Advisors and its officers and directors, are required to furnish the applicable fund with copies of all forms they file pursuant to Section 16(a). Based solely on review of the copies of these reports furnished or written representations that no such reports were required, each fund believes that, during 2004, all filing requirements applicable to its executive officers, trustees and greater than 10% shareholders, as well as RMR Advisors and its officers and directors, were timely met.

OTHER INFORMATION ABOUT THE FUNDS' ADVISOR AND ADMINISTRATOR

RMR Advisors, located at 400 Centre Street, Newton, Massachusetts 02458, serves as the investment advisor and manager for each fund. RMR Advisors is also the administrator of each fund and State Street Bank & Trust Company, One Federal Street, Boston, Massachusetts 02206, is each fund's sub-administrator. RMR Advisors was founded in 2002 and is owned by Messrs. Portnoy and Martin until such time as Mr. Martin's ownership is transferred to Mr. Portnoy, as discussed elsewhere in this joint proxy statement.

The fund advisory agreements were approved by the shareholders of RMR, RHR and RFR on December 11, 2003, April 2, 2004 and September 22, 2004, respectively. Each advisory agreement calls for fees to RMR Advisors equal to an annual rate of 0.85% of each fund's managed assets. As of December 31, 2004, the managed assets of RMR, RHR and RFR were \$163 million, \$74 million and \$56 million, respectively. A fund's managed assets are equal to the net asset value of that fund's

common shares plus the liquidation preference of that fund's preferred shares and the principal amount of the fund's borrowings outstanding, if any. For the first five years of each fund's operation, RMR Advisors has contractually agreed to waive fees equal to an annual rate of 0.25% of each fund's managed assets. During 2004, advisory fees, net of contractual waivers, were \$846,438, \$267,304, and \$26,295 for RMR, RHR and RFR, respectively. Neither RMR Advisors nor any of its affiliated companies receive compensation from any fund other than pursuant to the advisory fees described herein and each fund's administration agreement. To date, amounts paid or payable to RMR Advisors under the administration agreements have been limited to reimbursement of the fees charged to RMR Advisors for each fund by State Street Bank & Trust that totaled \$160,959, \$101,942, and \$14,923 for RMR, RHR and RFR, respectively, in 2004. Each fund's board of trustees, and separately each fund's disinterested trustees, authorized reimbursement payments to RMR Advisors by RMR, RHR and RFR for services of a chief compliance officer and internal audit services that totaled \$45,523, \$33,689 and \$6,074, respectively, for 2004.

The terms of the funds' existing and proposed new advisory agreements are substantially identical. Under the existing advisory agreements and new agreements, RMR Advisors provides each fund with an investment program, makes investment decisions for each fund and manages each fund's business affairs in accordance with that fund's investment objectives and policies, subject to the general supervision of that fund's board. RMR Advisors also provides persons satisfactory to each board to serve as the fund's officers. The existing advisory agreements continue for an initial two year term, and the new agreements will continue until the end of the initial term of the existing advisory agreements. After the initial terms, the agreements continue from year to year, but only so long as such continuation is approved in the manner prescribed by the 1940 Act. Generally, a fund's advisory agreement may be terminated by a majority of that fund's trustees or by proper vote of that fund's shareholders, at any time upon sixty days' notice and payment of compensation earned prior to such termination.

RMR Advisors is affiliated with Reit Management & Research LLC, a company principally engaged in management and advisory services to owners of real estate properties. Together, companies managed by RMR Advisors and Reit Management own over \$10 billion of assets at December 31, 2004.

DIRECTORS AND OFFICERS OF THE ADVISOR

Information relating to the directors and executive officers of RMR Advisors are set forth below. Officers of RMR Advisors are elected and appointed by its board of directors and hold office until they resign, are removed or are otherwise disqualified to serve. The following table lists the directors and executive officers of RMR Advisors. Additional biographical information about RMR Advisors' directors and executive officers can be found elsewhere in this joint proxy statement.

Name (age)	Title or status	Date status was acquired
Thomas M. O'Brien (38)	President & Director	July 2002
Barry M. Portnoy (59)	Vice President, Director & Owner	July 2002
Gerard M. Martin (70)	Vice President, Director & Owner	July 2002
Mark L. Kleifges (44)	Treasurer	September 2004
Jennifer B. Clark (43)	Vice President	July 2002
James J. McKelvey (45)	Vice President	July 2004
John C. Popeo (44)	Vice President	September 2004
Adam D. Portnoy (34)	Vice President	December 2003
William J. Sheehan (60)	Chief Compliance Officer	September 2004

AUDIT COMMITTEE REPORT

In the course of its oversight of the fund's financial reporting process, the audit committee of each fund has: (1) reviewed and discussed with management each fund's 2004 audited financial statements for the period ended December 31, 2004; (2) discussed with Ernst & Young LLP, each fund's independent auditors, the matters required to be discussed by Statement on Accounting Standards No. 61, *Communication with Audit Committees*; (3) received the written disclosures and the letter from the auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*; (4) discussed with the auditors their independence; and (5) considered whether the provision of non-audit services by the auditors is compatible with maintaining their independence and has concluded that it is compatible at this time.

Based on the foregoing review and discussions, each audit committee recommends to its respective board that its respective fund's audited financial statements be included in the fund's 2004 annual report to shareholders and filed with the SEC.

AUDIT COMMITTEE
of each of RMR Real Estate Fund,
RMR Hospitality and Real Estate
Fund and
RMR F.I.R.E. Fund
John L. Harrington, Chairman
Frank J. Bailey
Arthur J. Koumantzelis

AUDITORS

Each board appointed Ernst & Young LLP as the respective fund's independent auditors for 2004. A representative of Ernst & Young LLP is expected to be present at the annual meetings, with the

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opportunity to make a statement if he or she desires to do so. This representative will be available to respond to appropriate questions from shareholders who are present at the annual meetings.

The fees for services provided by Ernst & Young LLP for each fund for the last two years (each fund's fiscal year is a calendar year) were as follows:

	2003			2004		
	RMR	RHR\$	RFR\$	RMR	RHR	RFR
Audit fees	\$ 11,500	\$	\$	\$ 32,400	\$ 37,900	\$ 27,900
Audit related fees	15,500			21,000	42,000	41,500
Tax fees				3,000		
<i>Subtotal</i>	27,000			56,400	79,900	69,400
All other fees						
Ernst & Young LLP total fees	\$ 27,000	\$	\$	\$ 56,400	\$ 79,900	\$ 69,400

§

RHR and RFR had no operations in 2003.

Each fund's audit committee has established policies and procedures which are intended to control the services provided and charges by the auditors and to monitor their continuing independence. Under these policies, no services may be undertaken by the auditors unless the engagement is specifically pre-approved by the audit committee of the affected fund or the services are included within a category which has been generally approved by the audit committee of the affected fund. The maximum charge for services is established by the audit committees when the specific engagement or the category of services is pre-approved or approved. In certain circumstances, RMR Advisors is required to notify the concerned audit committee when pre-approved services are undertaken and the committee or its chairman may approve amendments or modifications to the engagement or the maximum fees. The director of internal audit is responsible to report to the audit committees regarding compliance with these policies.

The audit committees will not approve engagements of the auditors to perform non-audit services if doing so will cause the auditors to cease to be independent within the meaning of applicable SEC or AMEX rules. In other circumstances, the audit committees consider, among other things, whether the auditors are able to provide the required services in a more or less effective and efficient manner than other available service providers.

All services for which a fund engaged the auditors were approved by the concerned audit committees. The total fees for services provided by Ernst & Young LLP in 2003 and 2004 are set forth above. The only non-audit services provided by Ernst & Young LLP in 2003 and 2004 were for tax services. These tax services involved reviewing the funds' tax reporting and tax compliance procedures. The audit committees approved the engagement of Ernst & Young LLP to provide these non-audit services because they determined that Ernst & Young LLP's providing these services would not compromise its independence and that its familiarity with the funds' record keeping and accounting systems would permit it to provide these services with equal or higher quality, quicker and at a lower cost than the funds could obtain these services from other providers.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers and other record holders may participate in the practice of "householding" proxy statements and annual reports. This means that, unless shareholders give contrary instructions only one copy of this joint proxy statement or a fund's annual report may be sent to multiple shareholders of the same fund in each household. RMR Advisors will promptly deliver a separate copy of either document to you if you call or write to RMR Advisors at the following address or telephone

number: RMR Advisors, Inc. 400 Centre Street, Newton, MA 02458, telephone (617) 332-9530 or toll free (866) 790-8165. If you want to receive separate copies of a proxy statement or annual report in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other record holder, or you may contact RMR Advisors at the above address or telephone number.

EXPENSES OF PROXY SOLICITATION

Because one of the proposals in this joint proxy statement relates to routine business of each fund and one of the proposals relates to a matter arising from the change of ownership of RMR Advisors, the cost of solicitation, including amounts paid to _____, the proxy solicitor, will be paid 50% by the funds and 50% by RMR Advisors. Amounts paid by the funds will be allocated to each fund pro rata based upon the number of shareholder accounts.

OTHER MATTERS

At this time, the boards know of no other matters which will be brought before the annual meetings. However, if other matters properly come before the annual meetings or any postponement or adjournment thereof and if discretionary authority to vote with respect thereto has been conferred by the enclosed proxy, the persons named in the proxy will vote the proxy in accordance with their discretion on those matters.

By order of the boards

JENNIFER B. CLARK, *Secretary*
of each of
RMR Real Estate Fund,
RMR Hospitality and Real Estate
Fund and
RMR F.I.R.E. Fund

Newton, Massachusetts
March , 2005

APPENDIX A

FORM OF INVESTMENT ADVISORY AGREEMENT FOR
RMR REAL ESTATE FUND
RMR HOSPITALITY AND REAL ESTATE FUND
RMR F.I.R.E. FUND

INVESTMENT ADVISORY AGREEMENT dated _____, 2005, between _____ (the "Fund"), a Massachusetts business trust, and RMR Advisors, Inc. (the "Advisor"), a Massachusetts corporation.

RECITALS

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a closed-end, non-diversified management investment company;

WHEREAS, the Advisor is registered under the Investment Advisors Act of 1940, as amended (the "Advisors Act"), as an investment advisor and engages in the business of acting as an investment advisor;

WHEREAS, the Fund desires to employ the Advisor for, and the Advisor desires to provide, investment advisory services to the Fund upon the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. *Investment Description, Appointment.* The Fund desires to employ its capital by investing and reinvesting in investments of the kind and in accordance with the investment objectives, policies and limitations specified in its Second Amended and Restated Agreement and Declaration of Trust, as amended from time to time ("Charter"), its prospectus ("Prospectus") and statement of additional information ("Statement") filed with the Securities and Exchange Commission ("SEC") as part of the Fund's Registration Statement on Form N-2, as amended from time to time ("Registration Statement"), and in the manner and to the extent as may from time to time be approved by the Board of Trustees of the Fund (the "Board"). Copies of the Prospectus, the Statement and the Charter have been or will be submitted to the Advisor. The Fund agrees to provide copies of all amendments to the Registration Statement and the Charter to the Advisor on an on-going basis. The Fund hereby appoints the Advisor to act as the investment manager to the Fund. The Advisor accepts the appointment and agrees to furnish the services for the compensation set forth below.

2. *Services as Investment Advisor.* Subject to the supervision, direction and approval of the Board, the Advisor will (a) manage the Fund's holdings in accordance with the Fund's investment objectives and policies as stated in the Charter and the Registration Statement; (b) make investment decisions for the Fund; (c) place purchase and sale orders for portfolio transactions for the Fund; and (d) provide research services to the Fund. In providing those services, the Advisor will conduct a continual program of investment, evaluation and, if appropriate, sale and reinvestment of the Fund's assets. In compliance with applicable law, the Advisor is hereby authorized to retain third parties and to delegate some or all of its duties and obligations under this paragraph 2 to such persons provided that such persons shall remain under the general supervision of the Advisor.

3. *Standard of Care.* The Advisor shall give the Fund the benefit of its best judgment and effort in rendering services. The Advisor shall not be liable for any act or omission or for any loss sustained by the Fund in connection with the matters to which this Agreement relates, except those involving the Advisor's willful misfeasance, bad faith or gross negligence in the performance of its duties, or the reckless disregard of its obligations and duties under this Agreement.

4. *Services to Other Companies and Accounts.* The Fund understands that the Advisor and its affiliates now act, will continue to act and may in the future act as investment advisor or fiduciary to other managed accounts and as investment advisor or property manager to other investment companies or trusts. Nothing in this Agreement shall prevent the Advisor or any director, officer, employee or other affiliate of the Advisor from acting as investment advisor, property manager, fiduciary or administrator for any other person, firm or corporation, or from engaging in any lawful activity, and shall not in any way limit or restrict the Advisor or any of its directors, officers, employees or agents from buying, selling or trading any securities for its or their own accounts or for the accounts of others for whom it or they may be acting; provided, however, that the Advisor will undertake no activities which, in its judgment, will adversely affect the performance of its obligations under this Agreement and further provided that that whenever the Fund and one or more other clients advised by the Advisor have available funds for investment, investments suitable and appropriate for each will be allocated in accordance with a formula believed to be equitable to each client. The Fund recognizes that in some cases this procedure may adversely affect the size of the position obtainable for the Fund. In addition, the Fund understands that the persons employed by the Advisor to assist in the performance of the Advisor's duties under this Agreement will not devote their full time to such service and nothing contained in this Agreement shall be deemed to limit or restrict the right of the Advisor or any affiliate of the Advisor to engage in and devote time and attention to other businesses or to render services of whatever kind or nature.

5. *Portfolio Transactions and Brokerage.* Subject to the supervision of the Board, the Advisor is authorized, for the purchase and sale of the Fund's portfolio securities, to employ such securities dealers and brokers and to negotiate brokerage commissions on behalf of the Fund as may, in the judgment of the Advisor, implement the policy of the Fund to obtain the best net results taking into account such factors as: the net price available; the reliability, integrity and financial condition of the broker; the size of and difficulty in executing the order; and the value of the expected contribution of the broker to the Fund's investment performance on a continuing basis. The Fund understands that the cost of the brokerage commissions in any transaction may be greater than that available from other brokers if the difference is reasonably justified by other aspects of the services offered. Subject to such policies and procedures as the Board may determine, the Advisor may cause the Fund to pay a broker that provides research services to the Advisor an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker would have charged for effecting that transaction, if the Advisor determines in good faith that such amount of commission was reasonable in relation to the value of the research service provided by such broker viewed in terms of either that particular transaction or the Advisor's ongoing responsibilities under this Agreement. The Fund understands that